Plaintiffs' Exhibit 4

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Daily Mail Australia's response to the Ad Tech Inquiry Issues Paper of the Australian Competition & Consumer Commission (ACCC)

Daily Mail Australia forms part of one of the world's largest English-speaking group of newspaper websites, with more than 248 million global unique browsers.[1] Daily Mail Australia has a loyal readership of 8.8 million monthly unique visitors, with an average time of 24 minutes spent per person.[2] Our success is down to editorial excellence, dynamic and engaging content, and a picture-led, easily navigable format available on any device.

As most news publishers, Daily Mail Australia relies heavily on advertising – which has largely moved online – to drive revenue allowing our editorial teams to continue creating quality content. Our website provides a wide range of advertising opportunities, from premium cross device takeovers, native advertising, affiliate partnerships and sponsored content to bespoke targeted campaigns across the network.

However, as the ACCC is well aware, the lion's share of online ad spend is captured by the 'walled gardens' of Google and Facebook. At the same time, publishers have grown to rely on a complex ecosystem of ad tech intermediaries, chief amongst which is Google, to monetize their content. The so-called 'ad tech tax', namely the fees charged by various operators across the value chain, means that, unlike walled gardens, publishers receive only a percentage of the ad spend. The lack of transparency surrounding the fees charged by some operators means that in many cases publishers cannot even estimate their share of ad spend.

We would thus like to commend the ACCC for its excellent work in navigating the complex world of online advertising as part of its Digital Platform Inquiry. We also welcome the decision of the Treasurer, the Hon Josh Frydenberg MP, to direct the ACCC to hold an inquiry into markets for the supply of digital advertising technology services (ad tech services) and digital advertising agency services (ad agency services) (the Inquiry). However, we should stress that swift action going beyond reports is necessary to ensure that the ad tech ecosystem, which has been largely monopolized by Google, is truly competitive and transparent to the benefit of publishers, advertisers and ultimately consumers. The case for intervention is all the

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1 Adobe Analytics, Jan 2020, Global.

2 https://www.nielsen.com/au/en/press-releases/2020/abc-news-websites-ranks-no-1/

more compelling in light of the current Covid-19 crisis and the related sharp fall in advertising, which has sent revenue shockwaves across the news industry the very moment people are looking for reliable information online.

Daily Mail Australia hereby responds to the questions of the Ad Tech Inquiry Issues Paper with the hope that the provided information will assist the ACCC in its Inquiry. For the sake of completeness, we have included all the questions from the Issues Paper but we respond only to questions concerning publishers. We remain at the disposal of the ACCC for any further information or clarification.

(a) <u>Efficiency and competitiveness of the relevant markets</u>

1. How competitive do you consider each market in the ad tech supply chain to be and why?

We respond below with regard to the markets for: (a) publisher ad servers; (b) ad exchanges/Supply-Side platforms ("SSPs");[3] (c) ad networks; (d) Demand-Side Platforms (DSPs); and (e) advertiser ad servers. Overall, we do not consider the ad tech supply chain to be competitive, as it is largely dominated by Google. Please see also our response to Question 5 below.

a) Publisher ad servers

The market for publisher ad servers is highly concentrated. Google captures the lion's share, with Google Ad Manager ("GAM", formerly known as "DoubleClick for Publishers" or "DFP") being the default ad server for the industry and rivals such as OpenX and Verizon Media exiting the market. Google's position is also protected by considerable switching costs, as analyzed below in our response to Question 6.

b) Ad exchanges / SSPs

This market is again dominated by Google. Google Ad Exchange ("AdX"), now part of GAM, is considered the default ad exchange, and benefits from having unique access to important Google Ads demand. The only degree of competition exists amongst smaller players, such as The Rubicon Project, PubMatic and Index Exchange, as they compete to be the preferred SSP for a smaller group of clients/agencies.

c) Ad networks

The market for ad networks has become significantly smaller over recent years as more automated programmatic transaction methods have been adopted. Within the Australian market a number of ad networks still remain relevant and can contribute meaningful revenue to

[3] Unless otherwise stated, we shall use the terms "ad exchange" and "SSP" interchangeably.

17. For publishers:

a) What information do you need to make informed decisions about how to sell your display advertising inventory?

We sell our inventory primarily through two distribution channels – Direct and Indirect/Programmatic.

Direct is the traditional method of selling inventory and involves direct, manual negotiations with marketers, clients and agencies. Once agreement is reached, insertion orders are signed and creatives are supplied to our ad ops (advertising operations team). We then serve the campaign for the client via our ad server. Direct deals are often upper funnel campaigns that are of higher impact and yield higher CPMs for the publisher. Programmatic direct deals are a growing area within digital advertising and combines the control of traditional direct deals with the efficiency, targeting and reach of programmatic buying. It is generally the case that direct deals secure valuable ad inventory upfront, however, in doing so the buying method becomes less flexible than some programmatic alternatives. It's worth noting that the current events may drive advertisers to value flexibility, which will further reduce their interest in direct deals.

Indirect/Programmatic refers to the method of selling inventory indirectly through intermediaries, ad networks in the past but now primarily ad exchanges/SSPs. In its most popular form, called Real-Time Bidding or "RTB", indirect programmatic trading consists in running real-time auctions each time an individual impression is up for sale (i.e. each time a user visits our properties). RTB has made it possible to sell inventory on an individual impression basis and thus target individual users based on user data. On the other hand, it has introduced unparalleled complexity and leaves room for ad tech companies - chief amongst which is Google - to extract hidden fees.

Indirect/Programmatic has grown tremendously as a revenue stream for Daily Mail in recent years, and as such we apply significant resource to the technology choices and optimization processes that facilitate these transactions.

There are a number of factors that a publisher takes into account when assessing the effectiveness of their SSP/exchange partners:

- High CPMs, participation rates, win rates, revenue incrementality and overall revenue;
- Fast and reliable integration with client-side or server-side header bidding solutions;
- Implementation of brand safety technology to prevent malicious ads;
- Effective ad categorization and creative controls;
- Well-developed direct DSP integrations (and unique demand access);
- Low fees, and no hidden fees, to ensure a greater proportion of ad spend goes to working media;
- Buy side demand facilitation teams to assist with private market place deals;
- Advanced DSP throttling and request optimization technology.

Improvements in supply chain transparency could help the publisher make more informed decisions on choosing its SSP partners. Currently the main deciding factor is the participation rate (i.e. how often SSPs submit a bid back to GAM) and the net revenue generated for us. It would be beneficial for publishers and the end marketer to see all associated fees for a transaction. Additionally, as discussed in our response to question 48, there are challenges posed in understanding how the buy side are categorizing our content. It is hard for publishers to properly respond to changes in brand safety definitions when there is little transparency around how Google and third parties categorize our content. Often the only way to know when changes have occurred is to identity the resulting drop in revenue and work backwards to figure out the cause. This can be a tedious process as Google and third party measurement companies can be reluctant to offer help.

b) Do you have access to this information? If not, how does this impact your decision-making about how to sell your display advertising inventory?

Generally, we do have access to the information listed above. In the case of independent exchanges/SSPs, there has been a move towards more transparency in recent years, with the removal of buy side fees, and the ability for the SSP to share with the buyer the publisher negotiated revenue shares and fees.

Whilst in theory it is possible for any ad tech provider to extract additional/hidden fees, it seems that Google is best placed to do so. Due to their verticalized market position they control the full supply chain for a large percentage of open web display impressions. When an impression is won by a Google Ads advertiser, Google runs multiple consecutive auctions across differing pricing units (CPC vs CPM vs CPA): first it runs an internal auction among Google Ads advertisers, where advertisers typically compete on a CPC basis. Then Google Ads participates in a second auction, where – after the introduction of the Unified Auction in 2019 – it competes with Authorized Buyers (DSPs and ad networks integrated with AdX), Open Bidders (third-party SSPs that connect to GAM through a server-side integration),[7] and the winning header bidding bid on a CPM basis.[8] Google may take advantage of the consecutive auctions and the pricing unit translations they involve (e.g., translating the CPC bid of a Google Ads advertiser to a CPM basis for the Unified Auction) in order to extract additional margin, hidden from the

[7] Open Bidding was originally called "Exchange Bidding in Dynamic Allocation", and then "Exchange Bidding". For an explanation of the feature in its current form, see https://support.google.com/admanager/answer/7128453?hl=en. If an impressions is won by a third-party exchange participating in Open Bidding, Google charges publishers a 5%-10% fee.

[8] Before the rollout of the Unified Auction, Google would run three consecutive auctions. In the first place, Google Ads would run its internal auction among advertisers. In the second place, Google Ads would compete against other DSPs / ad networks in an auction organized by Google AdX. In the third place, Google AdX would compete against third-party SSPs and the winning header bidding bid within the context of Exchange Bidding. With its Unified Auction, Google merged the last two auctions, but Google Ads still runs a separate internal auction.